

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Garfield Charter Township	County Grand Traverse
Fiscal Year End December 31, 2006	Opinion Date APRIL 24, 2007	Date Audit Report Submitted to State April 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 989-799-9580	
Street Address 5800 Gratiot		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Gerald Deslover	Zip 48605
		License Number 1101007126	



Charter Township of Garfield
Grand Traverse County
Michigan

For the Year Ended
December 31, 2006

CHARTER TOWNSHIP OF GARFIELD

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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INDEPENDENT AUDITORS' REPORT

April 24, 2007

Members of the Township Board
Garfield Charter Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Garfield Charter Township***, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Garfield Charter Township***, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General and Fire Protection funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2007, on our consideration of **Garfield Charter Township's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considering in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Garfield Charter Township's** basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lehmann Lohman".

Garfield Charter Township Management Discussion and Analysis

As the Township Board of the Garfield Charter Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Garfield Charter Township for the fiscal year ended December 31, 2006.

Financial Highlights

The assets of Garfield Charter Township exceeded its liabilities at the close of the most recent fiscal year by \$48,120,645. Of this amount, \$11,209,743 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$5,373,499, a decrease of \$10,831 in comparison with the prior year. Approximately 93 percent of the total amount, \$4,984,156, is available for spending at the Township's discretion.

At the end of the current fiscal year, undesignated fund balance for the general fund was \$3,030,367, or 94 percent of total general fund expenditures.

The Township's total long term debt decreased by \$903,536, or 8 percent, during the current fiscal year. The key factor in this decrease is the paying off of sewer and water bonds and loans.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Garfield Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Township include: general government, public safety, road projects, sanitation, and recreation. The business-type activities of the Township include the sewer and water system.

The government-wide financial statements can be found on pages 9-11 of this report.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Garfield Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Garfield Charter Township maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Prevention Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund, special revenue funds, debt service fund and capital projects fund. Budgetary comparison statements or schedules have been provided for the general fund and other governmental funds to demonstrate compliance with this budget.

Proprietary funds: Garfield Charter Township maintains a single proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its water and sewer activity.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Garfield Charter Township, assets exceeded liabilities by \$48,120,645 at the close of the most recent fiscal year.

By far the most significant portion of the Township's net assets, sixty nine percent reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Garfield Charter Township Net Assets

	2006			2005		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 9,484,412	\$ 9,414,569	\$ 18,898,981	\$ 8,847,554	\$ 6,901,169	\$ 15,748,723
Capital assets	7,193,249	37,312,106	44,505,355	6,994,208	35,907,539	42,901,747
Total assets	16,677,661	46,726,675	63,404,336	15,841,762	42,808,708	58,650,470
Long-term liabilities outstanding	2,071,612	8,072,000	10,143,612	2,835,239	9,095,360	11,920,599
Other liabilities	4,522,933	617,146	5,140,079	3,565,195	181,366	3,756,561
Total liabilities	6,594,545	8,689,146	15,283,691	6,400,434	9,276,726	15,677,160
Net assets						
Invested in capital assets, net of related debt	4,738,463	28,690,106	33,428,569	4,168,969	26,812,179	30,981,148
Restricted	1,953,789	1,528,544	3,482,333	2,367,185	2,674,914	5,042,099
Unrestricted	3,390,864	7,818,879	11,209,743	2,905,174	4,044,889	6,950,063
Total net assets	\$ 10,083,116	\$ 38,037,529	\$ 48,120,645	\$ 9,441,328	\$ 33,531,982	\$ 42,973,310

The balance of unrestricted net assets of \$11,209,743 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the Township's net assets by \$721,689, accounting for six percent of the total growth in the net assets of the Township. Key elements of this increase are as follows: building and sound management tools.

Garfield Charter Township Changes in Net Assets

	2006			2005		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues:						
Program revenue:						
Charges for services	\$ 416,423	\$ 6,586,930	\$ 7,003,353	\$ 257,668	\$ 5,238,117	\$ 5,495,785
Operating grants and contributions	29,363	-	29,363	95,994	740,956	836,950
Capital grants and contributions	-	2,248,114	2,248,114	-	-	-
General revenue:						
Property taxes	3,314,418	-	3,314,418	3,116,059	-	3,116,059
State shared revenue	961,354	-	961,354	954,894	-	954,894
Unrestricted investment earnings	337,641	334,229	671,870	183,654	122,553	306,207
Miscellaneous	280,000	-	280,000	38,580	-	38,580
Total revenue	5,339,199	9,169,273	14,508,472	4,646,849	6,101,626	10,748,475
Expenses:						
Legislative	238,966	-	238,966	971,969	-	971,969
General government	1,688,600	-	1,688,600	615,659	-	615,659
Public safety	2,232,650	-	2,232,650	2,295,601	-	2,295,601
Public works	86,602	-	86,602	90,903	-	90,903
Interest on debt	101,664	-	101,664	111,998	-	111,998
Recreation and culture	269,028	-	269,028	196,268	-	196,268
Sewer and water	-	4,632,782	4,632,782	-	4,886,462	4,886,462
Total expenses	4,617,510	4,632,782	9,250,292	4,282,398	4,886,462	9,168,860
Increase in net assets	721,689	4,536,491	5,258,180	364,451	1,215,164	1,579,615
Net assets, beginning of year, as restated	9,361,427	33,501,038	42,862,465	9,076,877	32,316,818	41,393,695
Net assets, end of year	\$ 10,083,116	\$38,037,529	\$48,120,645	\$ 9,441,328	\$33,531,982	\$42,973,310

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities: Business-type activities increased the Township's net assets by \$4,536,491, accounting for eighty six percent of the total growth in the Township's net assets. Key elements of this increase are as follows: capital grants and contributions for water and sewer lines, an increase in water and sewer rates and sound management tools.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$5,373,499, a decrease of \$10,831 in comparison with the prior year. Approximately ninety nine percent of this total amount, \$5,351,705, constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,397,916 and the total fund balance was \$3,419,710. Unreserved fund balance represents ninety nine percent of total general fund expenditures. The fund balance of the Township's general fund increased by \$7,686 during the current fiscal year. Key factors were as follows: sound management skills.

Proprietary funds: The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$7,818,879. The total growth in net assets was \$4,536,491. Other factors concerning the finances of the fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were a \$295,000 increase in appropriations and can be briefly summarized as follows: roads and employee retirement benefits. Donations revenue and capital outlay expenditures were both over budget because during the fiscal year the Township received donated land valued at \$280,000.

Capital Asset and Debt Administration

Capital assets: The Township's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounts to \$44,505,355 (net of accumulated depreciation). This investment in capital assets includes: land, buildings improvements, sewer and water systems, machinery and equipment, park facilities, etc. The total increase in the Township's investment in capital assets for the current fiscal year was four percent.

Major capital asset events during the current fiscal year included the following: improvements to the park, new sewer and water lines and new roads.

Details of the Township's capital assets are continued in the notes to the financial statements on pages 31-33.

Long-term debt: At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$11,076,786. This debt is backed by the full faith and credit of the government.

Additional information on the Township's long-term debt can be found in the notes on pages 33-35.

Economic Factors and Next Year's Budgets

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to decrease in the 2007 fiscal year. The Township's millage rate was increased for general operating purposes. These factors were considered in preparing the Township's budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$3,397,916. The Township has presented a balanced budget in the current fiscal year budget.

The Water and Sewer Fund rates were increased for the current budget year. These rate increases were necessary to finance the debt service and the ongoing water and sewer system improvements.

Requests for Information

This financial report is designed to provide a general overview of Garfield Charter Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor, Treasurer, or Clerk, of Garfield Charter Township, 3848 Veterans Drive, Traverse City, Michigan 49684 or you may phone us at 231-941-1620.

BASIC FINANCIAL STATEMENTS

GARFIELD CHARTER TOWNSHIP
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,216,602	\$ 5,565,563	\$ 9,782,165
Investments	1,360,100	3,205,602	4,565,702
Accounts receivable	3,868,379	611,913	4,480,292
Internal balances	17,537	(17,537)	-
Prepaid items and other assets	21,794	49,028	70,822
Non-depreciable capital assets	3,396,292	102,927	3,499,219
Capital assets, net of depreciation	3,796,957	37,209,179	41,006,136
Total assets	16,677,661	46,726,675	63,404,336
Liabilities			
Accounts payable	65,134	131,225	196,359
Accrued liabilities	2,804	-	2,804
Unearned revenue	4,042,975	-	4,042,975
Bond discounts	-	(64,079)	(64,079)
Noncurrent liabilities:			
Due within one year	412,020	550,000	962,020
Due in more than one year	2,071,612	8,072,000	10,143,612
Total liabilities	6,594,545	8,689,146	15,283,691
Net Assets			
Invested in capital assets, net of related debt	4,738,463	28,690,106	33,428,569
Restricted for:			
Debt service	859,892	1,528,544	2,388,436
Other purposes	1,093,897	-	1,093,897
Unrestricted	3,390,864	7,818,879	11,209,743
Total net assets	\$ 10,083,116	\$ 38,037,529	\$ 48,120,645

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
Legislative	\$ 238,966	\$ -	\$ -	\$ -	\$ (238,966)
General government	1,688,600	387,801	29,363	-	(1,271,436)
Public safety	2,232,650	6,614	-	-	(2,226,036)
Public works	86,602	22,008	-	-	(64,594)
Interest on debt	101,664	-	-	-	(101,664)
Recreation and culture	269,028	-	-	-	(269,028)
Total governmental activities	<u>4,617,510</u>	<u>416,423</u>	<u>29,363</u>	<u>-</u>	<u>(4,171,724)</u>
Business-type activities:					
Sewer and Water	<u>4,632,782</u>	<u>6,586,930</u>	<u>-</u>	<u>2,248,114</u>	<u>4,202,262</u>
Total primary government	<u>\$ 9,250,292</u>	<u>\$ 7,003,353</u>	<u>\$ 29,363</u>	<u>\$ 2,248,114</u>	<u>\$ 30,538</u>

continued...

**GARFIELD CHARTER TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED DECEMBER 31, 2006**

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (4,171,724)	\$ 4,202,262	\$ 30,538
General revenues:			
Property taxes	3,314,418	-	3,314,418
State shared revenues	961,354	-	961,354
Unrestricted investment earnings	337,641	334,229	671,870
Miscellaneous revenues	280,000	-	280,000
Total general revenues	4,893,413	334,229	5,227,642
Change in net assets	721,689	4,536,491	5,258,180
Net assets, beginning of year, as restated	9,361,427	33,501,038	42,862,465
Net assets, end of year	\$ 10,083,116	\$ 38,037,529	\$ 48,120,645

The accompanying notes are an integral part of these financial statements.

GARFIELD CHARTER TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Fire Protection	Other Governmental Funds	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 3,072,856	\$ 491,288	\$ 652,458	\$ 4,216,602
Investments	330,068	533,002	497,030	1,360,100
Receivables:				
Current and delinquent property taxes	1,851,330	1,126,074	650,468	3,627,872
Special assessments	-	-	35,199	35,199
Accounts, (net of allowance for doubtful accounts)	205,095	-	-	205,095
Interest	-	-	213	213
Due from other funds	36,185	-	-	36,185
Prepaid expenditures	21,794	-	-	21,794
<u>Total Assets</u>	<u>\$ 5,517,328</u>	<u>\$ 2,150,364</u>	<u>\$ 1,835,368</u>	<u>\$ 9,503,060</u>
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 56,249	\$ 8,645	\$ 240	\$ 65,134
Accrued liabilities	2,804	-	-	2,804
Due to other funds	-	15,600	3,048	18,648
Deferred revenue	2,038,565	1,250,931	753,479	4,042,975
Total Liabilities	2,097,618	1,275,176	756,767	4,129,561
Fund Balances:				
Reserved for:				
Prepaid expenditures	21,794	-	-	21,794
Unreserved:				
Designated				
Future land purchases	162,262	-	-	162,262
Cable vision royalties	170,287	-	-	170,287
Other purposes	35,000	-	-	35,000
Undesignated - Major funds	3,030,367	875,188	-	3,905,555
Undesignated - Nonmajor special revenue funds	-	-	218,709	218,709
Undesignated - Nonmajor debt service funds	-	-	859,892	859,892
Total Fund Balances	3,419,710	875,188	1,078,601	5,373,499
<u>Total Liabilities and Fund Balances</u>	<u>\$ 5,517,328</u>	<u>\$ 2,150,364</u>	<u>\$ 1,835,368</u>	<u>\$ 9,503,060</u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

Fund balances - total governmental funds	\$ 5,373,499
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	8,505,493
Subtract: accumulated depreciation	(1,312,244)

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: compensated absences	(28,846)
Subtract: long-term liabilities	<u>(2,454,786)</u>

Net assets of governmental activities	<u><u>\$ 10,083,116</u></u>
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The accompanying notes are an integral part of these financial statements.

GARFIELD CHARTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Fire Protection	Other Governmental Funds	Total
Revenues				
Property taxes	\$ 1,484,671	\$ 1,149,858	\$ 675,598	\$ 3,310,127
Licenses and permits	172,850	-	-	172,850
Intergovernmental	990,717	-	-	990,717
Charges for services	31,402	6,614	27,825	65,841
Interest and rent	426,817	56,465	31,257	514,539
Other revenue	280,000	-	5,125	285,125
Total Revenues	3,386,457	1,212,937	739,805	5,339,199
Expenditures				
Current:				
General government	879,565	-	-	879,565
Public safety	1,227,369	1,132,660	-	2,360,029
Health and welfare	74,224	-	-	74,224
Public works	68,510	-	18,092	86,602
Recreation and cultural	-	-	137,555	137,555
Other	689,709	-	-	689,709
Capital outlay	285,780	-	364,449	650,229
Debt Service				
Principal	-	-	370,453	370,453
Interest expense	-	-	101,664	101,664
Total Expenditures	3,225,157	1,132,660	992,213	5,350,030
Revenues Over (Under) Expenditures	161,300	80,277	(252,408)	(10,831)
Other Financing Sources (Uses)				
Transfers in	-	-	153,614	153,614
Transfers (out)	(153,614)	-	-	(153,614)
Total Other Financing Sources (Uses)	(153,614)	-	153,614	-
Net Change in Fund Balance	7,686	80,277	(98,794)	(10,831)
Fund Balances, Beginning of Year, As Restated	3,412,024	794,911	1,177,395	5,384,330
Fund Balances, End of Year	\$ 3,419,710	\$ 875,188	\$ 1,078,601	\$ 5,373,499

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net change in fund balances - total governmental funds	\$ (10,831)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation

Add: capital outlay	576,619
Subtract: depreciation expense	(207,635)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payment on long-term liabilities	370,453
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Subtract: increase in the accrual of compensated absences	<u>(6,917)</u>
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Change in net assets of governmental activities	<u><u>\$ 721,689</u></u>
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The accompanying notes are an integral part of these financial statements.

GARFIELD CHARTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property taxes	\$ 1,519,822	\$ 1,419,822	\$1,484,671	\$ 64,849
Licenses and permits	206,000	206,000	172,850	(33,150)
Intergovernmental - State	981,000	981,000	990,717	9,717
Charges for services	38,000	38,000	31,402	(6,598)
Interest and rent	281,500	281,500	426,817	145,317
Donations	-	-	280,000	280,000
Total Revenues	<u>3,026,322</u>	<u>2,926,322</u>	<u>3,386,457</u>	<u>460,135</u>
Expenditures				
Current:				
General government	991,487	1,091,487	879,565	(211,922)
Public safety	1,242,728	1,317,728	1,227,369	(90,359)
Public works	80,000	80,000	68,510	(11,490)
Capital outlay	45,000	45,000	285,780	240,780
Health and welfare	119,500	119,500	74,224	(45,276)
Other	786,000	886,000	689,709	(196,291)
Total Expenditures	<u>3,264,715</u>	<u>3,539,715</u>	<u>3,225,157</u>	<u>(314,558)</u>
Revenue Over (Under) Expenditures	(238,393)	(613,393)	161,300	774,693
Other Financing Sources (Uses)				
Transfers (out)	<u>(185,000)</u>	<u>(205,000)</u>	<u>(153,614)</u>	<u>51,386</u>
Net Change in Fund Balance	(423,393)	(818,393)	7,686	826,079
Fund Balances, Beginning of Year, As Restated	<u>3,399,787</u>	<u>3,399,787</u>	<u>3,412,024</u>	<u>12,237</u>
Fund Balances, End of Year	<u>\$ 2,976,394</u>	<u>\$ 2,581,394</u>	<u>\$3,419,710</u>	<u>\$ 838,316</u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE PROTECTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Property taxes	\$1,188,400	\$1,188,400	\$1,149,858	\$ (38,542)
Charges for services	-	-	6,614	6,614
Interest	10,000	10,000	56,465	46,465
Total Revenues	<u>1,198,400</u>	<u>1,198,400</u>	<u>1,212,937</u>	<u>14,537</u>
Expenditures				
Public safety:				
Salaries and wages	160,000	160,000	133,871	(26,129)
Contractual services	936,398	936,398	940,818	4,420
Supplies	2,000	2,000	1,751	(249)
Telephone	3,000	3,000	2,155	(845)
Public utilities	23,500	23,500	19,605	(3,895)
Repairs and maintenance	26,000	26,000	26,197	197
Miscellaneous	5,000	55,000	2,060	(52,940)
Capital outlay	10,000	10,000	6,203	(3,797)
Total Expenditures	<u>1,165,898</u>	<u>1,215,898</u>	<u>1,132,660</u>	<u>(83,238)</u>
Net Change in Fund Balances	32,502	(17,498)	80,277	97,775
Fund Balances, Beginning of Year	<u>794,911</u>	<u>794,911</u>	<u>794,911</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 827,413</u>	<u>\$ 777,413</u>	<u>\$ 875,188</u>	<u>\$ 97,775</u>

The accompanying notes are an integral part of these financial statements.

GARFIELD CHARTER TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

<u>Assets</u>	<u>Water/Sewer Enterprise Fund</u>
Current Assets	
Cash and cash equivalents	\$ 5,565,563
Investments	3,205,602
Accounts receivable - net	279,044
Special assessment receivable	254,677
Due from other funds	15,600
Due from other governments	70,000
Interest receivable	8,192
Bond origination costs, net of amortization	49,028
	<hr/>
Total Current Assets	9,447,706
	<hr/>
Capital Assets	
Non-depreciable assets	102,927
Property, plant and equipment	51,681,617
Less accumulated depreciation	(14,472,438)
	<hr/>
Total Capital Assets	37,312,106
	<hr/>
<u>Total Assets</u>	46,759,812
	<hr/>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	131,225
Current portion of long-term debt	550,000
Due to other funds	33,137
	<hr/>
Total Current Liabilities	714,362
	<hr/>
Long-term Liabilities	
Long-term debt	8,072,000
Discount on bonds	(64,079)
	<hr/>
Total Long-term Liabilities	8,007,921
	<hr/>
Total Liabilities	8,722,283
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	28,690,106
Restricted for debt service	1,528,544
Unrestricted	7,818,879
	<hr/>
Total Net Assets	\$ 38,037,529
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The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Water/Sewer Enterprise Fund</u>
Operating Revenues	
Charges for services	\$ 6,504,433
Interest earned on special assessments	20,258
Other	<u>82,497</u>
Total Operating Revenues	<u>6,607,188</u>
Operating Expenses	
Contractual services	2,191,148
Interest and fees	615,340
Joint venture contractual payments	813,462
Depreciation	<u>1,012,832</u>
Total Operating Expenses	<u>4,632,782</u>
Operating Income	1,974,406
Nonoperating Revenues	
Interest revenue	<u>313,971</u>
Income Before Contributions	2,288,377
Contributed capital	<u>2,248,114</u>
Changes in net assets	4,536,491
Net assets, beginning of year, as restated	<u>33,501,038</u>
Net assets, end of year	<u><u>\$ 38,037,529</u></u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Water/Sewer Enterprise Fund</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 6,573,420
Cash received from interfund services	20,473
Cash payments to suppliers for goods and services	<u>(3,665,227)</u>
Net Cash Provided by Operating Activities	<u>2,928,666</u>
Cash Flows From Capital and Related Financing Activities	
Capital contributions	2,248,114
Acquisition of capital assets	(2,469,574)
Principal paid on long-term debt	(540,000)
Interest and fiscal charges paid on long-term debt	<u>(615,340)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,376,800)</u>
Cash Flows From Investing Activities	
Purchase of investments	(450,846)
Interest on investments	<u>313,971</u>
Net Cash (Used) by Investing Activities	<u>(136,875)</u>
Net Increase in Cash and Cash Equivalents	1,414,991
Cash and Cash Equivalents, Beginning of Year	<u>4,150,572</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,565,563</u></u>
 Cash Flows From Operating Activities	
Operating income	\$ 1,974,406
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,012,832
(Increase) decrease in assets:	
Accounts receivable	(33,768)
Due from other funds	(7,800)
Increase (decrease) in liabilities:	
Accounts payable	(45,277)
Due to other funds	<u>28,273</u>
Net Cash Provided by Operating Activities	<u><u>\$ 2,928,666</u></u>

The accompanying notes are an integral part of these financial statements.

**GARFIELD CHARTER TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2006**

Assets

Cash and cash equivalents	<u>\$ 2,237,070</u>
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Liabilities

Accounts payable	<u>\$ 2,237,070</u>
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The accompanying notes are an integral part of these financial statements.

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of *Garfield Charter Township* (the “Township”), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

A. FINANCIAL REPORTING ENTITY

Garfield Charter Township was incorporated as a charter township in 1976 and is located in Grand Traverse County, Michigan. The Township’s basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township’s reporting entity, as set forth in GASB No. 14, “*The Financial Reporting Entity*” includes oversight responsibility, fiscal dependency and whether the financial statement would be misleading if data were not included. Based on the aforementioned criteria, there are no other organizations included in these financial statements.

Water and Sewer System Operations – The Grand Traverse County Board of Public Works operates, maintains and administers the Township’s sewage disposal and water systems. The original construction and subsequent extensions were administered by the county and financed in part through bonds backed by the full faith and credit pledges of the Township.

The County DPW collects all user fees which are remitted to the Township, accounts for direct and allocated operating expenses which are billed to and paid by the Township, remits debt payments and maintains capital project and debt service funds. The Township’s administration reviews DPW operations on behalf of the Township, establishes special assessment districts, approves of construction expenditures, collects special assessment levies, which are remitted to the County for debt retirement, and maintains the special assessment rolls.

The arrangements between the County and Township were established to enable more favorable interest rates and borrowing limits and to achieve overall efficiency in operating these public services to the community. The County is acting as an agent for the Township and the Township retains significant control and responsibility over operations of the sewer and water systems.

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available*

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement – based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire protection fund* accounts for the separate voted millage and related operation of the fire department.

The government reports the following major proprietary fund:

The *water / sewer fund* accounts for the activities of the government's water distribution system and sewage disposal and treatment system.

Additionally, the Township reports the following fund types:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2. RECEIVABLES AND PAYABLES

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. PREPAIDS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and water and sewer systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewer and Water Systems	50-75
Buildings	30-60
Building Improvements	10-30
Vehicles	3-10
Office Furniture and Computer Equipment	3-10

5. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

6. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for the General Fund and Special Revenue Funds. The operating budget is adopted by activity for the General Fund and by activity for the Special Revenue funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Any revisions that alter the total expenditures of any fund must be approved by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

The Township had funds with expenditures exceeding budgeted appropriations at the activity level, which is the Township's legal level of budgetary control for the year ended December 31, 2006.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL FUND			
Capital outlay	\$ 45,000	\$ 285,780	\$ (240,780)

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

III.DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the basic financial statements to the Township's deposits and investments is as follows:

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 9,782,165
Investments	4,565,702
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>2,237,070</u>
Total	<u>\$ 16,584,937</u>
Deposits	\$ 11,983,085
Investments	4,565,702
Cash on hand	<u>150</u>
Total	<u>\$ 16,548,937</u>

The Township chooses to disclose its investments by specifically identifying each. As of year end, the Township had the following investments.

Investments	Maturity In Years	Fair Value	Ratings
U.S. Treasury	N/A	\$ 4,235,634	S&P AAA
MBIA Class accounts	N/A	<u>330,068</u>	Fitch AAA/V1+
		<u>\$ 4,565,702</u>	

Investment and deposit risk:

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified below. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investment held at year end.

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Credit risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified below. The Township's investment policy does not have specific limits in excess of state law on investment credit. The ratings for each investment are identified above for investments held at year end.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$10,454,367 of the Township's bank balance of \$11,454,367 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk. Of the investments listed above, there is not custodial credit risk as these investments are uncategorized as to credit risk.

Concentration of credit risk. State law limits allowable investments but does not limit concentration of credit risk as identified below. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the Township's investments are in U.S. Treasury securities. All investments at year end are reported above.

The Township is authorized by statute to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ In banker's acceptances of United States banks.

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Township Board is authorized to designate depositories for Township funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township's deposits are in accordance with statutory authority.

B. RECEIVABLES

Receivables in the primary government are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Taxes	\$ 3,627,872	\$ -
Accounts	205,095	279,044
Special Assessments		
Due within one year	8,192	38,193
Due after one year	27,007	216,484
Interest	213	8,192
Intergovernmental		
Due within one year	-	70,000
Total	<u>\$ 3,868,379</u>	<u>\$ 611,913</u>

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – Land	<u>\$ 3,116,292</u>	<u>\$ 280,000</u>	<u>\$ -</u>	<u>\$ 3,396,292</u>
Capital assets being depreciated:				
Buildings and improvements	<u>4,310,380</u>	<u>290,660</u>	<u>-</u>	<u>4,601,040</u>
Vehicles	<u>137,243</u>	<u>-</u>	<u>-</u>	<u>137,243</u>
Equipment	<u>364,958</u>	<u>5,960</u>	<u>-</u>	<u>370,918</u>
Total capital assets being depreciated	<u>4,812,581</u>	<u>296,620</u>	<u>-</u>	<u>5,109,201</u>
Less accumulated depreciation				
Buildings and Improvements	<u>(781,638)</u>	<u>(178,405)</u>	<u>-</u>	<u>(960,043)</u>
Vehicles	<u>(137,243)</u>	<u>-</u>	<u>-</u>	<u>(137,243)</u>
Equipment	<u>(185,728)</u>	<u>(29,230)</u>	<u>-</u>	<u>(214,958)</u>
Total accumulated depreciation	<u>(1,104,609)</u>	<u>(207,635)</u>	<u>-</u>	<u>(1,312,244)</u>
Total capital assets being depreciated, net	<u>3,707,972</u>	<u>88,985</u>	<u>-</u>	<u>3,796,957</u>
Governmental activities capital assets, net	<u>\$ 6,824,264</u>	<u>\$ 368,985</u>	<u>\$ -</u>	<u>\$ 7,193,249</u>

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ <u>102,927</u>	\$ _____ -	\$ _____ -	\$ <u>102,927</u>
Total capital assets not being depreciated	<u>102,927</u>	_____ -	_____ -	<u>102,927</u>
Capital assets being depreciated:				
Sewer and Water Systems	<u>49,212,042</u>	<u>2,469,574</u>	_____ -	<u>51,681,616</u>
Less accumulated depreciation				
Sewer and Water Systems	<u>(13,459,605)</u>	<u>(1,012,832)</u>	_____ -	<u>(14,472,437)</u>
Total capital assets being depreciated, net	<u>35,752,437</u>	<u>1,456,742</u>	_____ -	<u>37,209,179</u>
Business-type activities capital assets, net	<u>\$35,855,364</u>	<u>\$1,456,742</u>	<u>\$ _____ -</u>	<u>\$37,312,106</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 107,874
Public safety	42,512
Recreation and culture	<u>57,249</u>
Total depreciation expense – governmental activities	<u>\$ 207,635</u>

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

D. LONG-TERM DEBT

A summary of bond and contract transactions for the year ended December 31, 2006, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities					
Notes payable:					
Note payable	\$ 1,102,159	\$ -	\$ (142,203)	\$ 959,956	\$ 146,924
Note payable	1,723,080	-	(228,250)	1,494,830	236,250
Total notes payable	2,825,239	-	(370,453)	2,454,786	383,174
Compensated absences	21,929	49,413	(42,496)	28,846	28,846
Total Governmental Activities	<u>\$ 2,847,168</u>	<u>\$ 49,413</u>	<u>\$ (412,949)</u>	<u>\$ 2,483,632</u>	<u>\$ 412,020</u>
Business Type Activities					
Bonds Payable:					
Grand Traverse County Water Supply & Sewage Disposal System Bond Series 1989	\$ 300,000	\$ -	\$ (75,000)	\$ 225,000	\$ 75,000
Water Supply & Sewage Disposal System Bond Series 1992	495,000	-	(75,000)	420,000	75,000
1997 Special Assessment Sewer Bonds	160,000	-	(30,000)	130,000	25,000
1997 General Obligation Sewer Bonds	90,000	-	(15,000)	75,000	15,000
Water Supply 2002 Bonds	7,465,000	-	(325,000)	7,140,000	340,000
Water & Sewer 2005 Bonds	652,000	-	(20,000)	632,000	20,000
Total Business Type Activities	<u>\$ 9,162,000</u>	<u>\$ -</u>	<u>\$ (540,000)</u>	<u>\$ 8,622,000</u>	<u>\$ 550,000</u>

Sewer revenue contracts are supported by revenues of the Water / Sewer Fund. The Township has no general obligation debt that can be levied on the annual property tax bills.

Debt payable at December 31, 2006, is comprised of the following individual issues:

REVENUE CONTRACTS :

\$1,050,000 1989 Grand Traverse County
Water Supply and Sewage Disposal System
 due in annual installments of \$75,000
 through November 1, 2009, with interest at
 6.85%.

\$ 225,000

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

<u>\$1,270,000, 1992 Water Supply and Sewage Disposal System due in annual installments of \$75,000 to \$90,000 through November 1, 2011, with interest at 5.50%.</u>	\$ 420,000
<u>\$365,000, 1997 Garfield Township Special Assessment Sewer Bonds due in annual installments of \$25,000 to \$30,000 through November 1, 2011, with interest at 5.05% - 5.30%.</u>	130,000
<u>\$180,000 1997 Garfield Township General Obligation Sewer Bonds due in annual installments of \$15,000 through November 1, 2011, with interest at 5.05% - 5.30%.</u>	75,000
<u>\$8,675,000, 2002 Water and Sewer System Improvements Projects due in annual installments of \$340,000 to \$660,000 through November 1, 2021 with interest at 3.75% - 5.00%.</u>	7,140,000
<u>\$672,000, 2005 Water and Sewer System Improvements Projects due in annual installments of \$20,000 to \$50,000 through November 1, 2024, with interest at 3.00% - 4.375%</u>	632,000
<u>\$1,500,000, Installment Note Payable due to the bank in monthly installments of \$14,671.81 through December 13, 2012, with interest at 3.27%.</u>	959,956

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

\$2,500,000, Limited Tax General

Obligation Note Payable due to the bank in
monthly installments of \$24,662.95
through December 1, 2013 with interest at
3.45%

\$ 1,494,830

\$ 11,076,786

For the governmental activities, compensated absences are generally liquidated by the general fund.

Annual debt service requirements to maturity for contracts and notes payable are as follows:

<u>Year ending December 31,</u>	Governmental	Activities	Business-type	Activities
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 383,174	\$ 88,843	\$ 550,000	\$ 428,544
2008	396,332	75,685	575,000	403,263
2009	409,942	62,075	595,000	376,265
2010	424,020	47,997	540,000	348,178
2011	438,581	33,436	565,000	323,964
2012-16	402,737	23,831	2,470,000	1,135,391
2017-21	-	-	3,185,000	506,826
2012-24	-	-	142,000	12,698
Total	<u>\$ 2,454,786</u>	<u>\$ 331,867</u>	<u>\$ 8,622,000</u>	<u>\$ 3,535,129</u>

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund receivables and payables as of December 31, 2006, is as follows:

<u>Due from</u>	<u>Due to</u>		<u>Total</u>
	<u>General Fund</u>	<u>Water / Sewer Fund</u>	
Fire Protection Fund	\$ -	\$ 15,600	\$ 15,600
Nonmajor govt. funds	3,048	-	3,048
Water / Sewer fund	33,137	-	33,137
Total	<u>\$ 36,185</u>	<u>\$ 15,600</u>	<u>\$ 51,785</u>

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The interfund receivable and payable between the General fund and the Water/Sewer fund is for legal services originally expensed in the General fund. The interfund receivable and payable between the General fund and the Street Lighting fund is to cover the monthly street light expenses. The interfund receivable and payable between the Water/Sewer fund and the Fire fund is the annual amount owed for fire hydrants.

Interfund transfers for the year ended December 31, 2006, are as follows:

	<u>Transfer in</u>		
	Public Improvement	Park System	Total
Transfer out:			
General Fund	<u>\$ 86,376</u>	<u>\$ 67,238</u>	<u>\$ 153,614</u>

The interfund transfer from the General fund to the Public Improvement fund was for the General fund's share of the expenditures related to various road repairs. The interfund transfer from the General Fund to the Park System fund is for community promotion expenditures previously recorded in the General fund.

IV. OTHER INFORMATION

A. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Grand Traverse County and the school districts within the Township boundaries.

Real property taxes not collected as of March 1 are turned over to Grand Traverse County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

B. PENSION PLANS

Defined Contribution Pension Plan

The Township participates in a defined contribution pension plan for Michigan Township employees under contract with the John Hancock Life Insurance Company to provide benefits at retirement to eligible employees.

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Eligible employees are those who have attained the age of 18 and not more than 75, have been employed for the Township for more than 90 days and are elected officials or full-time employees working 37 hours or more per week.

The Township pays 100% of required annual contribution, which amounts to 10% of annual compensation. Compensation is determined by the basic annual rate of compensation in effect at the beginning of the plan year. Eligible employees may make voluntary contributions through payroll withholdings in amounts ranging from one to ten percent of compensation.

All contributions are vested to the employee immediately upon early retirement, termination of services, death, disability or normal retirement at 100%.

Plan provisions and contribution requirements are established and may be amended by the Township Board.

During the year, the Township's required and actual contributions amounted to \$89,975. Covered payroll for the year was \$899,745 with total payroll for all employees of \$930,111. The plan was funded at the required contribution amount.

C. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note IV. B, effective January 2005 the Township provides postemployment benefits in accordance with a Township resolution. The Township makes monthly contributions, under an IRS Section 125 "cafeteria plan," for each retired employee in the amount of \$1,350 beginning in the month following the month within which the employee retires, until age 65 and \$850 from and after the month in which the retired employee attains age 65 until the month following the month in which such retired employee attains age 70. Currently one retiree met the retirement eligibility requirements. During the year, expenditures of \$171,204 were recognized for retiree health benefits in the general fund. The Township records the payment of these benefits as contribution into the Postemployment Health Benefits Agency fund whereby the disbursements directly to the retirees is accounted for.

D. JOINT VENTURE

The Township entered into a master sewer agreement effective July 1, 1987 through June 30, 2010, and supplemented July 1, 1993, August 13, 1998, and March 31, 2003, with the City of Traverse City, the Townships of Peninsula, Ease Bay, and Acme in Grand Traverse County, the Township of Elmwood in Leelanau County and with Grand Traverse County. This maser sewer agreement defines the allocation of costs and establishes certain rights and

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

responsibilities with respect to the Wastewater Treatment Plant. Grand Traverse County is the owner of the Treatment Plant and the City of Traverse City is the owner of all the multi-user facilities. Ownership of the Treatment Plant will revert to the City of Traverse City when certain bonds issued by the Grand Traverse County are retired.

The City of Traverse City is the exclusive manager of the plant for the benefit of itself and the Townships. As the exclusive manager, the City of Traverse City has the obligation to fully inform and advise the Townships as to the Treatment Plant's operations and the Townships shall have the right to comment on all matters connected with the administration of the plant. Prior to June 30, the City of Traverse City shall submit a proposed budget for the operations of the Treatment Plant for the year commencing July 1. The Townships have thirty days in which to comment on the proposed budget.

Each of the parties of the agreement is entitled to make use of a portion of the Treatment Plant's capacity as follows:

<u>Party</u>	<u>Capacity Right</u>
City of Traverse City	60.00%
Garfield Township	25.46
East Bay Township	2.78
Elmwood Township	2.73
Acme Township	8.17
Peninsula Township	<u>.86</u>
	<u>100%</u>

Each participant in the joint venture pays an amount sufficient to cover their pro rata share of the treatment plant costs. Each participant's pro rata share is determined by their volume of sewage treated in relation to total sewage treated at the plant. The principal amount paid in the current year for the Township was \$429,902 and the interest was \$383,560

The Township is also liable for a portion of the Treatment Plant's debt. A portion of the liability is fixed and a portion is determined on a biannual basis based upon the amount of the Township's flows through the Treatment Plant. The Township's portion of Treatment Plant debt is estimated as follows:

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

<u>Year Ended December 31</u>	Principal	Interest
2007	\$ 436,850	\$ 369,625
2008	451,089	354,127
2009	459,496	337,191
2010	488,874	318,667
2011	509,846	298,277
2012-2016	2,701,575	1,137,300
2017-2021	2,827,878	517,395
2022	<u>646,372</u>	<u>16,230</u>
Total	\$ <u>8,521,980</u>	\$ <u>3,348,812</u>

E. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Township becomes a party to various claims and lawsuits. In the opinion of the legal council and Township management, the ultimate resolution of such matters will not have a material effect on the financial position of the Township.

F. PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2006, prior period adjustments were necessary to properly account for the overstatement of accrued sick and vacation, accounts payable and accounts receivable in the general fund. The effect on the General Fund fund balance was as follows:

Fund balance, beginning of year, as previously stated	\$ 3,399,787
Prior period adjustment:	
Accrued sick and vacation	21,929
Accounts payable	9,703
Accounts receivable	<u>(19,395)</u>
Fund balance, beginning of year, as restated	\$ <u>3,412,024</u>

GARFIELD CHARTER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

During the year ended December 31, 2006, prior period adjustments were necessary to properly account for the overstatement of long term debt and expense in the Water / Sewer fund. The effect on the Water / Sewer fund net assets and the statement of net assets for business-type activities was as follows:

Net assets, beginning of year, as previously stated	\$ 33,432,248
Prior period adjustment:	
Long term debt	5,000
Expense	<u>63,790</u>
Net assets, beginning of year, as restated	<u>\$ 33,501,038</u>

During the year ended December 31, 2006, prior period adjustments were necessary to properly account for the overstatement of capital assets, accounts payable and accounts receivable in the government wide statement of net assets. The effect on the government wide statement of net assets was as follows:

Net assets, beginning of year, as previously stated	\$ 9,441,328
Prior period adjustment:	
Capital assets	(70,209)
Accounts receivable	(19,395)
Accounts payable	<u>9,703</u>
Net assets, beginning of year, as restated	<u>\$ 9,361,427</u>

* * * * *

SUPPLEMENTARY INFORMATION

**GARFIELD CHARTER TOWNSHIP
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Taxes				
Current taxes	\$ 1,511,282	\$ 1,411,282	\$ 1,478,080	\$ 66,798
Delinquent taxes	1,000	1,000	-	(1,000)
Swamp tax	40	40	40	-
Trailer park fees	7,000	7,000	6,551	(449)
Interest and penalties on delinquent taxes	500	500	-	(500)
Total Taxes	1,519,822	1,419,822	1,484,671	64,849
Licenses and Permits				
Building permits	200,000	200,000	166,688	(33,312)
Planning and zoning fees	5,000	5,000	6,162	1,162
Tax abatement fees	1,000	1,000	-	(1,000)
Total Licenses and Permits	206,000	206,000	172,850	(33,150)
Intergovernmental				
State grant	-	-	29,363	29,363
State shared revenues	968,000	968,000	948,718	(19,282)
State shared revenues-Liquor law	13,000	13,000	12,636	(364)
Total Intergovernmental - State	981,000	981,000	990,717	9,717
Charges for Services				
Tax collection fees	28,000	28,000	28,856	856
Other	10,000	10,000	2,546	(7,454)
Total Charges for Services	38,000	38,000	31,402	(6,598)
Interest and Rents				
Interest	100,000	100,000	249,919	149,919
Rent	5,000	5,000	6,611	1,611
Royalties	176,500	176,500	170,287	(6,213)
Total Interest and Rents	281,500	281,500	426,817	145,317
Other				
Donations	-	-	280,000	280,000
Total Revenues	\$ 3,026,322	\$ 2,926,322	\$ 3,386,457	\$ 460,135

**GARFIELD CHARTER TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
General Government				
Township Board				
Salaries and wages	\$ 91,432	\$ 91,432	\$ 94,397	\$ 2,965
Supplies	28,000	28,000	20,862	(7,138)
Legal	150,000	150,000	102,204	(47,796)
Audit and accounting	12,000	12,000	16,195	4,195
Other contracted services	2,000	2,000	1,944	(56)
Printing and advertising	15,000	15,000	12,051	(2,949)
Mileage, travel, and education	2,500	2,500	1,432	(1,068)
Dues and publications	7,000	7,000	6,076	(924)
Other	-	20,000	-	(20,000)
Total Township Board	307,932	327,932	255,161	(72,771)
Township Supervisor and Assessor				
Salaries and wages	209,959	209,959	198,789	(11,170)
Supplies	4,500	4,500	4,582	82
Contracted services	15,000	20,000	15,266	(4,734)
Printing and advertising	800	800	1,832	1,032
Mileage and education	9,600	9,600	6,704	(2,896)
Dues and publications	2,500	2,500	2,907	407
Total Township Supervisor	242,359	247,359	230,080	(17,279)
Elections				
Salaries and wages	20,000	20,000	6,048	(13,952)
Supplies	13,000	13,000	3,478	(9,522)
Mileage, travel, and education	1,000	1,000	-	(1,000)
Repairs and maintenance	2,000	2,000	-	(2,000)
Printing and Publishing	1,000	1,000	343	(657)
Total Elections	37,000	37,000	9,869	(27,131)
Clerk				
Salaries and wages	125,100	125,100	130,022	4,922
Mileage and education	12,000	12,000	9,023	(2,977)
Dues and publications	500	500	256	(244)
Other	-	20,000	330	(19,670)
Total Clerk	137,600	157,600	139,631	(17,969)
Board of Review				
Salaries and wages	3,000	3,000	2,300	(700)
Mileage, travel, and education	200	200	-	(200)
Total Board of Review	3,200	3,200	2,300	(900)

(Continued)

**GARFIELD CHARTER TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Treasurer's Office				
Salaries and wages	\$ 103,896	\$ 103,896	\$ 102,981	\$ (915)
Supplies	7,000	7,000	8,911	1,911
Legal	500	500	1,203	703
Printing and publishing	1,100	1,100	929	(171)
Mileage and education	7,700	7,700	8,564	864
Dues and publications	200	200	740	540
Other	3,000	28,000	2,567	(25,433)
Total Treasurer's Office	123,396	148,396	125,895	(22,501)
Computer Support				
Supplies	5,000	5,000	2,408	(2,592)
Maintenance and support	40,000	40,000	20,053	(19,947)
Total Computer Support	45,000	45,000	22,461	(22,539)
Township Property				
Supplies	5,000	5,000	1,477	(3,523)
Telephone	15,000	15,000	14,493	(507)
Public utilities	31,000	31,000	37,098	6,098
Repairs and maintenance	44,000	74,000	41,100	(32,900)
Total Township Property	95,000	125,000	94,168	(30,832)
Total General Government	991,487	1,091,487	879,565	(211,922)
Public Safety				
Police Contract	748,040	748,040	748,040	-
Building Inspection				
Salaries and wages	154,956	154,956	153,002	(1,954)
Supplies	1,000	1,000	63	(937)
Mileage and education	16,500	16,500	9,518	(6,982)
Dues and publications	1,000	1,000	1,105	105
Other	-	10,000	-	(10,000)
Total Building Inspection	173,456	183,456	163,688	(19,768)
Planning Commission				
Salaries and wages	14,000	14,000	13,300	(700)
Legal	25,000	25,000	42,384	17,384
Mileage and education	1,000	1,000	1,031	31
Printing and publishing	9,000	9,000	8,436	(564)
Contractual services	5,000	5,000	-	(5,000)
Dues and publications	250	250	340	90
Other	-	30,000	-	(30,000)
Total Planning Commission	54,250	84,250	65,491	(18,759)

**GARFIELD CHARTER TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Township Planner				
Salaries and wages	\$ 136,848	\$ 136,848	\$ 124,910	\$ (11,938)
Supplies	4,500	4,500	229	(4,271)
Mileage and education	5,200	5,200	5,857	657
Printing and publishing	3,000	3,000	3,492	492
Dues and publications	1,000	1,000	558	(442)
Other	-	10,000	-	(10,000)
Total Township Planner	150,548	160,548	135,046	(25,502)
Zoning Board of Appeals:				
Salaries and wages	6,500	6,500	1,500	(5,000)
Mileage and education	500	500	-	(500)
Legal	5,000	5,000	5,708	708
Advertising	1,000	1,000	676	(324)
Total Zoning Board of Appeals	13,000	13,000	7,884	(5,116)
Zoning Administrator:				
Salaries and wages	98,554	98,554	103,787	5,233
Supplies	3,000	3,000	103	(2,897)
Mileage and education	1,780	1,780	3,330	1,550
Dues and publications	100	100	-	(100)
Other	-	25,000	-	(25,000)
Total Zoning Administrator	103,434	128,434	107,220	(21,214)
Total Public Safety	1,242,728	1,317,728	1,227,369	(90,359)
Health and Welfare				
Community promotions	119,500	119,500	74,224	(45,276)
Public Works				
Street lighting	80,000	80,000	68,510	(11,490)
Other				
Township vehicles	3,000	3,000	503	(2,497)
Miscellaneous	3,000	3,000	-	(3,000)
Employee benefits and insurance	780,000	880,000	689,206	(190,794)
Total Other	786,000	886,000	689,709	(196,291)
Capital Outlay	45,000	45,000	285,780	240,780
Total Expenditures	\$ 3,264,715	\$ 3,539,715	\$ 3,225,157	\$ (314,558)

**GARFIELD CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2006**

<u>Assets</u>	Special Revenue Funds		
	Public Improvement	Budget Stabilization	Street Lighting
Cash and cash equivalents	\$ 114,456	\$ 77,561	\$ 31,555
Investments	-	-	-
Due from other funds	-	-	-
Taxes receivable - current	-	-	-
Special assessments receivable - current	-	-	15,266
Special assessments receivable - delinquent	952	-	-
Special assessments receivable - deferred	18,981	-	-
Interest receivable	213	-	-
<u>Total Assets</u>	<u>\$ 134,602</u>	<u>\$ 77,561</u>	<u>\$ 46,821</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	3,048
Deferred revenue	18,981	-	18,246
Total Liabilities	18,981	-	21,294
Fund Balances			
Unreserved:			
Undesignated	115,621	77,561	25,527
Total Fund Balances	115,621	77,561	25,527
<u>Total Liabilities and Fund Balances</u>	<u>\$ 134,602</u>	<u>\$ 77,561</u>	<u>\$ 46,821</u>

Debt Service							
	Public Works		Park System		Municipal Building		Total
\$	164,002	\$	125,284	\$	139,600	\$	652,458
	497,030		-		-		497,030
	-		-		-		-
	-		325,234		325,234		650,468
	-		-		-		15,266
	-		-		-		952
	-		-		-		18,981
	-		-		-		213
\$	661,032	\$	450,518	\$	464,834	\$	1,835,368
\$	-	\$	240	\$	-	\$	240
	-		-		-		3,048
	-		358,126		358,126		753,479
	-		358,366		358,126		756,767
	661,032		92,152		106,708		1,078,601
	661,032		92,152		106,708		1,078,601
\$	661,032	\$	450,518	\$	464,834	\$	1,835,368

**GARFIELD CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Special Revenue Funds		
	Public Improvement	Budget Stabilization	Street Lighting
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments	10,842	-	16,983
Interest	2,285	-	254
Miscellaneous	5,125	-	-
Total Revenues	18,252	-	17,237
Expenditures			
Current:			
Public works	-	-	18,092
Culture and Recreation	-	-	-
Capital outlay	144,107	-	-
Debt service:			
Principal	-	-	-
Interest expense	100	-	-
Total Expenditures	144,207	-	18,092
Revenues Over (Under) Expenditures	(125,955)	-	(855)
Other Financing Sources			
Transfers in	86,376	-	-
Net change in fund balances	(39,579)	-	(855)
Fund balances, beginning of year, as restated	155,200	77,561	26,382
Fund balances, end of year	\$ 115,621	\$ 77,561	\$ 25,527

Debt Service				
	Public Works	Park System	Municipal Building	Total
\$	-	\$ 337,799	\$ 337,799	\$ 675,598
	-	-	-	27,825
	28,718	-	-	31,257
	-	-	-	5,125
	28,718	337,799	337,799	739,805
	-	-	-	18,092
	-	137,555	-	137,555
	-	220,342	-	364,449
	-	142,203	228,250	370,453
	-	33,859	67,705	101,664
	-	533,959	295,955	992,213
	28,718	(196,160)	41,844	(252,408)
	-	67,238	-	153,614
	28,718	(128,922)	41,844	(98,794)
	632,314	221,074	64,864	1,177,395
\$	661,032	\$ 92,152	\$ 106,708	\$ 1,078,601

**GARFIELD CHARTER TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Special assessments	\$ 10,100	\$ 10,050	\$ 10,842	\$ 792
Interest	2,050	2,050	2,285	235
Miscellaneous revenue	10,000	10,000	5,125	(4,875)
Total Revenues	22,150	22,100	18,252	(3,848)
Expenditures				
Road construction	50,000	200,000	144,107	(55,893)
Debt service				
Principal	10,000	17,500	-	(17,500)
Interest expense	100	110	100	(10)
Total Expenditures	60,100	217,610	144,207	(73,403)
Revenues Over (Under) Expenditures	(37,950)	(195,510)	(125,955)	69,555
Other Financing Sources				
Transfers in	50,000	50,000	86,376	36,376
Net change in fund balances	12,050	(145,510)	(39,579)	105,931
Fund balances, beginning of year	155,200	155,200	155,200	-
Fund balances, end of year	\$ 167,250	\$ 9,690	\$ 115,621	\$ 105,931

**GARFIELD CHARTER TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUDGET STABILIZATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Interest	-	-	-	-
Expenditures				
Total Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	77,561	77,561	77,561	-
Fund Balances, End of Year	\$ 77,561	\$ 77,561	\$ 77,561	\$ -

**GARFIELD CHARTER TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET LIGHTING FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Special assessments	\$ 17,000	\$ 17,000	\$ 16,983	\$ (17)
Interest	-	-	254	254
Total Revenues	17,000	17,000	17,237	237
Expenditures				
Public works	15,000	18,250	18,092	(158)
Net Change in Fund Balances	2,000	(1,250)	(855)	395
Fund Balances, Beginning of Year	26,382	26,382	26,382	-
Fund Balances, End of Year	<u>\$ 28,382</u>	<u>\$ 25,132</u>	<u>\$ 25,527</u>	<u>\$ 395</u>

**GARFIELD CHARTER TOWNSHIP
COMBINING BALANCE SHEET
AGENCY FUNDS
DECEMBER 31, 2006**

	Trust and Agency	Flexible Medical Insurance	Tax Collections
Assets			
Cash and cash equivalents	\$ 20,362	\$ 3,247	\$ 1,864,908
Liabilities			
Accounts payable	\$ 20,362	\$ 3,247	\$ 1,864,908

Postemployment Health Benefits	Total
\$ 348,553	\$ 2,237,070

\$ 348,553	\$ 2,237,070
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

April 24, 2007

Members of the Township Board
Garfield Charter Township
Traverse City, Michigan

We have audited the financial statements of the governmental activities, the business-type activities,, each major fund, and the aggregate remaining fund information of ***Garfield Charter Township, Michigan***, as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents and have issued our report thereon dated April 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ***Garfield Charter Township, Michigan's***, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Garfield Charter Township, Michigan's*** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ***Garfield Charter Township, Michigan's*** internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

There is a lack of adequate controls in place to produce full disclosure generally accepted accounting principal (GAAP) basis financial statements because the Township's management has limited technical expertise in the area of financial statement preparation; the Township depends on the outside auditors to produce the

annual financial statements and disclosures. Due to this lack of management's internal expertise, there is a greater risk of error in financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described above to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Garfield Charter Township, Michigan*, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of *Garfield Charter Township, Michigan* in a separate letter dated April 24, 2007.

This report is intended solely for the information and use of management and members of the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

April 24, 2007

Members of the Township Board
Garfield Charter Township
Traverse City, Michigan

In planning and performing our audit of the financial statements of ***Garfield Charter Township*** as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated April 24, 2007, contains our report on significant deficiencies in the Township's internal control. This letter does not affect our report dated April 24, 2007, on the financial statements of the ***Garfield Charter Township***.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies on these matters, or to assist you in implementing the recommendations.

GARFIELD CHARTER TOWNSHIP

COMMENTS AND RECOMMENDATIONS

1) Payroll Processing

An effective control in preventing fraudulent activity is that employees in all positions are required to take vacations and while on vacation, another employee assumes their role. During our audit procedures, we noted that the accountant is the only employee that processes payroll. Although, the accountant does take regular vacations, before he leaves for vacation payroll is processed.

Recommendation:

Payroll should be periodically processed by another Township employee while the accountant is on vacation.

2) Review and Approval of Journal Entries

The Township posts adjusting journal entries to its general ledger accounting system to record various financial activity, including EFT receipts from funding sources, accruals, interest earnings, correcting entries, etc. The Township's current internal control procedures do not require that journal entries are reviewed and approved by a responsible official that is independent of the journal entry preparation.

Recommendation:

The Township should require that all adjusting journal entries are reviewed and approved by a responsible independent official, prior to being posted to the general ledger. A log of the journal entries, along with the support for posting the journal entries should be maintained in a file / folder for easy access.

3) Cash Receipting

The Treasurer's office has a cash register that serves only as a lock box for holding cash. The Treasurer does not issue receipts until after a deposit is made at the bank. Cash receipts are entered into the general ledger after the Treasurer goes to the bank and then the detail receipt is given to the accountant where a journal entry is made to record the cash and the revenue.

GARFIELD CHARTER TOWNSHIP

COMMENTS AND RECOMMENDATIONS

Recommendation:

We recommend that the Township either purchase the cash receipting program from Fund balance, the Township's current accounting software, whereby receipts can automatically be entering into the general ledger upon receiving the payments, or a new cash register be purchased that is able to run a Z-tape at the end of the day. By running the Z-tape at the end of the day, every check and cash payment received at the treasurers office is entered into the cash register and at the end of the day, the Z-tape is ran and the Z-tape is compared to the daily cash / checks received and the deposit slip from the bank.

4) Procurement / Purchase Policy

Currently the Township has not adopted a formal procurement / purchase policy. During our audit procedure, we noted that there is an "unwritten" policy for which department heads and employees are to follow.

Recommendation:

We recommend that the Township Board formally adopt a procurement / purchase policy.

5) General Ledger Access

The Township's general ledger system is only able to be viewed by the Clerk and the accountant.

Recommendation:

Having the ability to view the general ledger is a valuable tool that will help department heads to track their purchases and keep their respective departments within annual budgets. Limited ability to post to the general ledger is essential in maintaining adequate controls over the reporting process. Therefore, we recommend that other department heads have the ability to view the general ledger.

6) Credit Card Purchases

Our examination of various credit card disbursements showed that several purchases did not contain the required receipt/supportive documentation. The Township has adopted a policy for all employees that a receipt must accompany the original invoice from the credit card company or the individual will be required to reimburse the Township for the expense.

GARFIELD CHARTER TOWNSHIP

COMMENTS AND RECOMMENDATIONS

Recommendation:

We recommend that the Township enforce its policy that all purchases made by employees with Township credit cards must provide receipts to the appropriate Township personnel for verification that the purchase is acceptable.

7) Unlawful Expenditures

During our examination of various conference and travel expenditures, we observed that Township employees were reimbursed for expenditures that have been deemed unlawful by the State of Michigan.

Recommendation:

We recommend that the Township inform the employees that these purchases will not be reimbursed by the Township.

8) Postemployment Health Benefits

The Governmental Accounting and Standards Board has issued *GASB Statement Number 43 Financial Reporting for Postemployment benefit Plans Other Than Pension Plans and Statement Number 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. Certain provisions of GASB Statement Numbers 43 and 45 will first be effective for the Township's fiscal year ended December 31, 2008. Generally, the provisions of this statement will require the Township to have an actuarial valuation performed of its postemployment benefits (other than pensions) and will require the Township to make actuarially determined contributions into a separate trust account to pay for those benefits.

Recommendation:

The Township has implemented a plan that will ensure compliance with this statement, by conducting an internal valuation of its liability for postemployment benefits and addressing required contributions in future budgets. Prior to the beginning the fiscal year ending December 31, 2009, the Township will be required to establish a separate legal trust fund where the required contributions are to be deposited into.

GARFIELD CHARTER TOWNSHIP

COMMENTS AND RECOMMENDATIONS

9) Delinquent Personal Property Taxes

The Township Treasurer is using the BS&A Tax System software for tracking delinquent personal property taxes. This system is able to produce a detail subsidiary ledger for each parcel for a corresponding year, however, it is unable to produce a total balance outstanding at year end. The Township does have a BS&A Delinquent Personal Property Tax System software that is able to produce a detail subsidiary ledger for each parcel by year. For this software to be able to produce the subsidiary ledger, the Tax System software needs to be downloaded into the Delinquent Personal Property Tax System. This download was not done for the 2006 delinquent personal property taxes. The Township is not recording this outstanding balance of delinquent personal property taxes on the general ledger.

Recommendation:

The Township Treasurer informed us that the Delinquent Personal Property Tax System software can not print receipts to her printer in the manner that the Tax System software is able to do. We recommend that the Treasurer continue to use the Tax System software for printing receipts and tax bills but the Tax System software be downloaded to the Delinquent Personal Property Tax System software on a routine basis so an updated subsidiary ledger can be available to be recorded on the general ledger.